U.S. House of Representatives
Committee on the Budget
134 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ democrats.budget.house.gov
Chris Van Hollen, *Ranking Democrat*

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CBO Findings Underscore Need for New Fiscal Approach

Democrats have been calling for bipartisan negotiations to change the current fiscal path – including increasing the austerity-level discretionary spending caps, raising the debt ceiling, and enacting a long-term highway bill – but Republicans continue to object. Recent work by the Congressional Budget Office (CBO) buttresses the need for a new direction. We know that the deep spending cuts under sequestration are harming our economy. At the same time, deficits have been substantially reduced and are at sustainable levels for the near future. Now is the time to rethink our current approach to budgeting. We need to lift the self-imposed sequester-level spending caps, which will otherwise lead to woefully inadequate investment in critical national needs. Unfortunately, Republican leadership continues to ignore what is painfully obvious: their approach will lead only to another government shutdown and will once again ask middle-class families as well as those striving to join the middle class to sacrifice while asking nothing from those at the top.

Current Deficits are at Sustainable Levels

CBO's August 25th budget and economic update projects a deficit of $426 billion in fiscal year 2015, $59 billion less than in 2014 and less than one-third the size of the deficit in 2009, when the deficit had ballooned due to the economic downturn and necessary responses to it. Relative to the size of the economy, the deficit reduction is even more dramatic, with the 2015 deficit projected to be just 2.4 percent of GDP, roughly one-quarter of its size in 2009 and below the average over the last 50 years. The deficit will stay below that level through 2018. As a result, debt held by the public measured as a share of the economy has not grown this year, and CBO projects it will remain at roughly the same level through 2021.

Deficits Dramatically Lower than 2009 Level and Stable through 2018
(Deficits in billions of dollars)

	2009	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
	-1,413	-1,294	-1,300	-1,087	-680	-485	-426	-414	-416	-454
as % of GDP	*-9.8*	*-8.7*	*-8.5*	*-6.8*	*-4.1*	*-2.8*	*-2.4*	*-2.2*	*-2.1*	*-2.2*

Economy is Continuing to Create Jobs

The economy continues to recover and create jobs. The private sector has added 13 million jobs over a record 65 consecutive months of job growth, including 5.5 million jobs over the last two years alone. The CBO report projects that there is still enough slack in the labor market to sustain a healthy pace of job growth over the next year.

Imminent Need to Increase Government's Ability to Borrow

A recovering economy has helped the nation's debt burden to stabilize, but the debt continues to climb in nominal dollars. A temporary suspension of the debt limit expired earlier this year and

Treasury has resorted to so-called "extraordinary measures" to avoid default and continue to pay bills as they come due. According to CBO's latest projections, even these measures will cease to be effective by mid-November to early December. At that point, Congress will need to raise or suspend the debt ceiling to avoid the United States defaulting on its obligations.

We have approached the debt limit several times in recent years. In those cases, brinkmanship by Republicans threatened the nation's economic well-being as investors responded to the uncertainty and the potential that the United States could default on its obligations. Not only has the market for Treasury securities been compromised, leading to higher Treasury borrowing costs beyond the immediate crisis, but disruptions have occurred in other markets. We must not go down this road again – the only responsible choice is to extend the government's ability to borrow. Raising the debt limit is necessary because the nation must pay the bills that cover the cost of obligations it has already chosen, not because the spending levels for 2016 or beyond are too high.

Job Growth Would be Higher without Sequester Cuts

Despite the recent record on job growth, the federal government can do more to meet today's economic challenges. In a recent letter, CBO projected that real GDP growth in 2016 would be 0.1 to 0.6 percent higher without the additional discretionary sequestration cuts. This would result in 200 to 800 thousand more jobs in 2016. Democrats have called for negotiations to begin immediately to address the overly austere spending levels required under sequestration. Not only would an increase in discretionary spending now help the economy, it would fund important investments in national security and critical domestic needs. Moving toward the President's requested levels for discretionary spending would allow more vulnerable children to gain access to Head Start, more workers to receive job training and employment services, and restore drastic cuts to research awards that are included in the Republican appropriations bills.

Longer-Term Picture Shows Work to be Done

With deficits at manageable levels in the short-term, we can invest in the country through fiscal policies that create jobs and fulfill critical needs. However, we still face long-term fiscal challenges. The President and other Democrats have proposed a number of policy changes, such as closing egregious tax loopholes for the wealthy, which could be used to reduce the deficit and help pay for reasonable discretionary spending levels.

Deficits Begin to Rise Again in Second Five Years
(Deficits in billions of dollars)

	2015	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*
Revenues	3,251	3,514	3,628	3,730	3,847	4,004	4,164	4,359	4,560	4,772	4,999
Outlays	3,677	3,928	4,044	4,184	4,443	4,690	4,931	5,244	5,455	5,657	6,007
Deficit	-426	-414	-416	-454	-596	-687	-767	-885	-895	-886	-1,008
As % of GDP	*-2.4*	*-2.2*	*-2.1*	*-2.2*	*-2.8*	*-3.1*	*-3.3*	*-3.7*	*-3.6*	*-3.4*	*-3.7*